

**FACTORS AFFECTING THE APPEARANCE
OF SLEEPING STOCKS**
(An Empirical Study in Companies Listed on Indonesia Stock
Exchange (IDX) from 2013 to 2016)



THESIS

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By:

MOHAMMAD PRIAJI ADHIKARA
12030114120056

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THESIS APPROVAL

Author Name : Mohammad Priaji Adhikara

Student Number : 12030114120056

Faculty / Department : Economics and Business / Accounting

Thesis Title : **FACTORS AFFECTING THE APPEARANCE OF SLEEPING STOCKS (An Empirical Study in Companies Listed on Indonesia Stock Exchange (IDX) from 2013 to 2016)**

Thesis Supervisor : Fuad, Ph.D.

Semarang, 26th February 2018

Supervisor,

(Fuad, Ph.D.)

NIP. 19790916 200812 1002

SUBMISSION

Author Name : Mohammad Priaji Adhikara

Student Number : 12030114120056

Faculty / Department : Economics and Business / Accounting

Thesis Title : **FACTORS AFFECTING THE APPEARANCE OF SLEEPING STOCKS (An Empirical Study in Companies Listed on Indonesia Stock Exchange (IDX) from 2013 to 2016)**

This thesis has been presented in front of the Board of Examiners and accepted on 7th March 2018.

The Board of Examiner consists:

1. Fuad, Ph.D. (.....)
2. Agung Juliarto, S.E.,M.si.,Akt,Ph.D (.....)
3. Dr. Rr. Sri Handayani S.E., M.Si.,Akt (.....)

DECLARATION OF ORIGINALITY

By this I, Mohammad Priaji Adhikara, declare that this thesis with the title: **FACTORS AFFECTING THE APPEARANCE OF SLEEPING STOCKS (An Empirical Study in Companies Listed on Indonesia Stock Exchange (IDX) from 2013 to 2016)** is purely my own writing. I declare that this thesis does not contain any context that is written by another author either partial or as a whole which I took by plagiarizing or copying into a sentence or symbols that represents ideas, opinion, or thoughts from other authors that by then I state it as my own. There are no sentences either partial or as a whole that I copy, imitate or took from another author without stating the original author.

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Semarang, 26th February 2018

Mohammad Priaji Adhikara

NIM. 12030114120056

MOTTO AND DEDICATION

“Knock, and Allah will open the door,
Vanish, and Allah will make you shine,
Fall, and Allah will raise you to the heaven,
Become nothing, and Allah will turn you into everything.”

(Jalaluddin Mevlana Rumi)

“Break the boundaries”

This thesis is dedicated to my beloved:

Father, M Saiful Fajar

Mother, Trisila Iriani

My Supervisor, Mr Fuad

The rest of my family and friends

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Mohammad Priaji Adhikara

NIM. 12030114120056

ABSTRACT

This research intends to examine factors affecting the appearance of sleeping stocks, with the factors including: regular dividend payment, profitability (ROA) and market capitalization. Also with the control variable: debt to equity ratio (DER) and price earning ratio (PER). This research conducted in order to observe the phenomenon on the Indonesian Stock Exchange that using order-driven market trading system. This trading system would create sleeping stocks phenomenon and increase the investment risk on the stocks exchange.

This study used secondary data from financial statements of companies which had been listed in Indonesia Stock Exchange during 2015-2016. The method that had been used for this study was purposive samplings. Logistic Regression on Econometric Views 9th Edition was used to examine the data. Findings in this study shows that profitability and market capitalization would affected the appearance of sleeping stocks. Meanwhile giving regular dividend payment would help companies attract more investor and avoid the sleeping stocks condition.

Keywords: Sleeping stocks, regular dividend payment, dividend policy, profitability, return on assets, market capitalization, debt to equity ratio and price earning ratio.

ABSTRAK

Penelitian ini bertujuan untuk menguji faktor-faktor yang mempengaruhi munculnya fenomena saham tidur dengan faktor-faktor yang diuji meliputi: pemberian dividen secara regular, tingkat pengembalian aset, dan kapitalisasi pasar. Penelitian ini juga menggunakan variabel kontrol berupa rasio hutang terhadap ekuitas dan juga rasio harga terhadap pengembalian. Dilakukannya penelitian ini dalam rangka melakukan observasi terhadap fenomena saham tidur yang muncul di Bursa Efek Indonesia dengan sistem perdagangan pasar saham mereka yang berbasis order. Sistem perdagangan ini dapat mengakibatkan munculnya fenomena saham tidur dan meningkatkan resiko investasi di suatu bursa.

Data sekunder yang digunakan dalam penelitian ini merupakan laporan keuangan perusahaan-perusahaan yang telah tercatat di Bursa Efek Indonesia sejak tahun 2013 hingga 2016. Metode yang digunakan dalam menyeleksi sampel adalah purposive. Penggunaan regresi logistik dalam penelitian diuji dengan menggunakan Econometric Views Edisi 9. Temuan yang berhasil disimpulkan menunjukkan bahwa profit yang diukur dengan menggunakan rasio profitabilitas serta kapitalisasi pasar berpengaruh terhadap munculnya saham tidur. Sedangkan pemberian dividen secara regular terbukti membantu perusahaan menarik banyak investor dan dapat terhindar dari kondisi saham tidur.

Kata kunci: fenomena saham tidur, pemberian dividen secara regular, kebijakan dividen, profit, rasio pengembalian aset, kapitalisasi pasar, rasio hutang terhadap ekuitas, dan rasio harga terhadap pengembalian.

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CHAPTER I

INTRODUCTION

1.1 Background of The Problem

Nowadays the investment securities become so popular, especially for the stock trading section. Many people from around the world try to learn more about stock trading with the hopes to get more benefit in the future. In line with the increasing number of the investor, many countries competing to build the best stock exchange in order to withdraw fund from domestic and international level. However, there is a unique phenomenon that occurs as a result of the implementation of the order driven market trading system, which is the emergence of sleeping stocks.

This phenomenon is the default risk of the order driven market trading system, according to Schwart and Weber (1996) in an order-driven market, prices are established by a limit order to buy and sell that are submitted to a limit order book by traders and investors. So, we could not know for sure whether the order is actually executed because transparency is the main weakness of the order-driven market trading systems. In Indonesia, the sleeping stocks phenomenon is not only make the investor's fund stuck sometimes, but also give a high risk value againts Indonesian Stock Exchange portfolio. The high risk occurs due to the bad amount of standard deviation, where standard deviation is one of the main method to determine risk in the investment world. Sleeping stocks in Indonesia explained in a circular letter No.BEI SE-03/BEI II-1/I/I/1994, stock is said to be active in the frequency of stock trading for three months as many as 75 or more times, thus

when the frequency stock trading less than 75 times for three months or 300 per year, then the stocks become not active so that it gradually becomes the sleeping stock which is not liquid.

Table 1.1
Developing Amount of Sleeping Stocks in IDX

Year	Sleeping Stocks Company
2012	108
2013	103
2014	91
2015	74
2016	100

Source : IDX Summary

The small numbers of transactions in a stock is largely influenced by the performance of the company that issued the stock itself. Research by Erpina and Supramono (2014) stated that the sleeping stocks tend to have poor performance by not experiencing growth, have a negative value of financial ratio as well as each year performance goes down. The value of the financial ratios used to analyse performance through financial report it is also shows that there is significant differences value between an active stocks and sleeping stcoks, which means that there is obviously a difference in performance between the two types of shares (Farandani and Margasari,2015).

Refer to the study by Kothari (2001), he said that there is a relationship between the information in the financial reports and the stock market.The information in the financial statement is used to perform the fundamental analysis, fundamental analysis with the ratios can predict future profitability, and

forecasting using time-series analysis. As a result, we can now predict the future growth of the stocks. If we take a look at the behavior of Indonesian investor, Sitinjak and Ghozali (2012) already did a research to the 120 investors from Indonesia, stated that theoretical implications in the accounting field, accounting information provided to investor in the form of total assets, total liabilities, total equities, total sales or net income, total profit or loss and financial ratios such as EPS, BV, ROE, ER, PBV and PER can significantly influence the behavior of individual investors.

However in some previous studies, researchers still focusing on the profitability factors, and have not done exploration against other factors such as dividends policy of go public companies in Indonesia which may affect the appearance of sleeping stocks. Because if we refer to Maryani (2012) she stated that there are two possible causes of sleeping stocks, one of them is the stock has a good prospect in providing regular dividends so attract the long-term investors, causing shareholders to keep their stocks or the stocks is not interesting and does not have the promising prospect for investors.

Giving regular dividend payments sometimes resulting in the misperceptions between management and shareholder. The management aims to make the shareholders feel comfort and keep making a transaction while enjoying dividend. But the shareholder's little bit too enjoy and keep believing that they already in a good position, so it is not important to make more transaction since they always got plenty of dividends every year. Researchers will conduct research on the factors affecting the emergence of sleeping stocks. The factor that will try to be analyzed is regular dividend payment, profitability ratio and market

capitalization. One of the distinguish feature of this research lies in the use of the factors of the giving dividends on a regular basis. Dividend policy may affect the basic investment decisions of a person easily, especially for long-term investors who are mostly risk-averse. The research follows previous research (Erpina and Supramono, 2014; Farandani and Margasari, 2015) that is by using a profitability factor and the amount of market capitalization.

It is the right time to notice and consider the existence of sleeping stocks in Indonesia, because the effect could be detrimental to many parties. Moreover, in the absence of market makers in Indonesia Stock Exchange will indicates that any company that already or will do the initial public offering, must be fighting alone in order to attract the investor. This study provides new insight into three main aspects. The first aspect is the research will attempt to analyze whether the dividend policy could affect the basic investment decision and resulting in the appearance of sleeping stocks. Second, the previous research (Erpina and Supramono, 2014; Farandani and Margasari, 2015) only use performance analysis and also comparative analysis against various types of financial ratios, this research will developing into testing the influence of independent variable to the dependetn variable that have been defined. The third study will focus on the use of LQ45 as active stock data and no longer follows previous research that uses random data.

Based on the given background, this research is titled “*Factors Affecting The Appearance of Sleeping Stocks (An Empirical Studies in Companies Listed on Indonesia Stock Exchange from 2013-2016)*”

1.2 Statement of Problems

The topic about sleeping stock is being talked in many ways such as infrequently traded stocks, stock volatility, companies performance but never focusing on what factors did actually sleeping stock coming from because most of them doing the research in the quote-driven market trading system which is not suitable for Indonesian Stock Exchange. The word suitable means the result of their study cannot be implemented by many listed companies in Indonesia as strategy tools to avoid sleeping stock phenomenon.

Research by Erpina and Supramono (2014) provide performance analysis of companies who suffered from sleeping stocks condition in the Indonesian Stock Exchange from 2010 until 2012. They using time series and cross-sectional analysis to measure the trend of Return on Assets (ROA), Return on Equipment (ROE) and Return on Investment (ROI), then they combined it with the size of market capitalization to draw the conclusion. Farandini (2016) develop the research on the sleeping stocks by comparing them with the liquid companies on three different ratios such as Price Earning Ratio (PER), Return on Assets (ROA) and Return on Equipment (ROE). This research tries to analyze factors affecting the appearance of sleeping stocks by some improve contains: regular dividend payments, profitability ratio, and market capitalization and using the LQ45 index for the data comparison. Therefore the research questions are as follow:

1. Does a regular dividend payment have a positive association with the emergence of sleeping stock
2. Does profitability ratio have a positive influence on the emergence of sleeping stock?

3. Does a small market capitalization affecting the emergence of sleeping stocks?

1.3 Objective of the Study

This research has some objective as follows :

1. To obtain empirical evidence about the influence of regular dividend payment to the emergence of sleeping stocks.
2. To prove that there is a relation between profitability ratio to the appearance of sleeping stocks.
3. To observe the effect of the market capitalization to the emergence of sleeping stocks.

1.4 Significance of the Study

This study is expected to bring contributions to:

1. Companies

This research will directly give a little overview of what factors cause sleeping stocks, so they can perform a new strategy to avoid those condition and get better performance in the future.

2. Investor

This research tries to make investor understand how to identify the company with the sleeping stocks and the company who has a good performance and prospect in the future. Additionally, this research also wants to explain that not all the companies with sleeping stocks have a bad performance.

3. Stakeholder

With the results of these studies, stakeholders are expected to give critics and advise to companies that unable to deliver a good stock's performance after they are listed, with hopes they get better by the time.

4. Indonesia Stock Exchange

This research is expected to be able to change the way Indonesia Stock Exchange to cope with sleeping stocks and may also perform review against requirements for conducting an Initial Public Offering (IPO). With this research also, it could be one of the new material for Indonesian Stock Exchange's future research.

5. Future Researchers

This research can be a reference and as an additional material to use in the future research about sleeping stocks in Indonesia, which is hard to find.

1.5 Writing System

CHAPTER I: INTRODUCTION

This chapter contains the background of this research which explains the event of sleeping stocks, statement of the problem, the objective of the study, the significance of the study also the writing system conducted in this research.

CHAPTER II: LITERATURE REVIEW

This chapter explains the basic theory that became the fundamental of this research which is the agency theory and signaling theory. The existing regulation related to the topic of this research will also be explained in this chapter. There will be explanations based on references about the dependent variable (the appearance of sleeping stocks) and independent variables (regular dividend payment, profitability ratio, small market capitalization). Review of previous researches theoretical framework and hypotheses development will also be provided in this chapter.

CHAPTER III: RESEARCH METHOD

This chapter contains the definition as well as the measurements used for the research variables. Information related to the research population, sample, type of data, source of data, data collection method and analysis method will also be explained in this chapter.

CHAPTER IV: DATA ANALYSIS AND FINDINGS

This chapter explains the research object description, data analysis which by then it will also explain about the interpretation of the results. Data analysis includes descriptive statistics, overall model fit, the coefficient of determination, goodness of fit test, multicollinearity test and the logistic regression results.

CHAPTER V: CONCLUSIONS AND SUGGESTIONS

This chapter gives the conclusion which is based on the analysis results. The limitation of this research along with suggestions for future researches is also provided in this chapter.